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COAL MINE'S RAILROAD SPUR PUT ON FAST TRACK

By Clair Johnson

Construction of a long-anticipated railroad to carry coal from a mine near Roundup to Eastern and Western markets has begun near Broadview as Yellowstone County and railroad representatives signed an agreement.

"Today, we approved a memorandum of understanding," Yellowstone County Commissioner Jim Reno said Tuesday. "They are moving dirt as we speak."

Big equipment was scraping earth near Broadview, where the 35-mile rail spur will tie the coal mine in the Bull Mountains into the main line of BNSF Railway.

More heavy equipment is on the way, said John DeMichiei of Signal Peak Energy, the new company now operating the former Bull Mountain Coal Mine south of Roundup. Railroad construction will become a round-the-clock operation as the project ramps up, he said.

The rail owners signed a contract July 16 with Ames Construction for the railroad construction. Ames was the main contractor for the project under the previous mine owners. Ames officials could not be reached for comment Tuesday.

The underground coal mine, which has struggled for years because of bad debts and mining permit violations, has the potential to tap into vast underground coal reserves in Musselshell and Yellowstone counties.

"We have a high degree of confidence the railroad will be constructed on time and hopefully within budget," DeMichiei said.

The railroad will take about a year to complete. DeMichiei declined to state a cost for the railroad but said \$100 million was in the ballpark.

The railroad will have a 5.7-mile loop at the mine to accommodate two 150-car unit trains, DeMichiei said. A loading facility to be built at the mine will be capable of handling 7,000 tons of coal per hour.

The mine is producing about 2,000 tons of coal a day with one 10-hour shift, but DeMichiei said the mine expects to go to two shifts a day in a few weeks. The coal continues to be trucked to Lockwood.

The mine has been rehiring miners, including those who were laid off in March 2007, and has 63 workers.

"The response has been outstanding," DeMichiei said.

The railroad construction will correspond with the completion of other major projects at the mine, including a plant to process the raw coal and the installation of long-wall mining equipment, DeMichiei said.

"That's a major component of the project," DeMichiei said of the railroad. "We're excited about that."

The railroad will be operated by Global Rail Group LLC, which along with Signal Peak Energy is a subsidiary of Global Mining Group. The group is controlled by Boich Cos., an Ohio coal company, and FirstEnergy, an Ohio utility.

Global Mining Group decided to operate the railroad itself and not through a short-line operator, DeMichiei said.

Last month, the Ohio companies announced plans to invest \$450 million into the Bull Mountain project.

The companies jointly bought 80 percent of the mine along with the rights-of-way needed for the railroad, and they plan to expand production to at least 13 million tons annually. Bull Mountain Coal Mining Inc. retained 20 percent interest in the mine. BMCM is controlled by the Airlie Group, a Connecticut investment fund. Boich and FirstEnergy have the option to acquire the 20 percent stake after 18 months.

Meanwhile, Global Rail Group has been working with Yellowstone and Musselshell counties on an agreement for managing rail crossings of public roads.

Yellowstone County commissioners signed an agreement Tuesday. The Musselshell County Commission expects to approve a similar agreement, said Commissioner Larry Lekse.

The agreement outlines the responsibilities of the company for work in the rights-of-way and for maintaining rail crossings. The memo also establishes a format for issuing 50-year licensing permits for encroachment on a public road.

"Why? What if the railroad goes away and now we have a bridge to maintain. We wanted to protect the long-term interests of our residents," Reno said. "And we wanted to put this on a fast track. We don't want to be accused of slowing down the mine."

Yellowstone County expects it will have railroad crossings at Frey, Schwartz-Nelson, David, Van Sky, 21 Mile and Oswald roads.

In Musselshell County, the railroad will cross four or five roads along with overpasses on U.S. Highway 87 and the Old Divide Road, Lekse said.

"We've been working for 20, 25 years to get a coal mine developed," Lekse said. "It's a very positive thing for Musselshell County."

A third overpass will cross U.S. Highway 3, DeMichiei said. The county agreements will ensure public safety at all times, he said.

"The support we have received both from Yellowstone and Musselshell counties has been outstanding," DeMichiei said. "It takes a lot of work to bring these agreements to fruition."